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XINYI SOLAR HOLDINGS LIMITED

信義光能控股有限公司

(Incorporated under the laws of the Cayman Islands with limited liability)

(Stock code: 00968)

DISCLOSEABLE TRANSACTION FORMATION OF JOINT VENTURE FOR THE FUNDING AND OPERATION OF SOLAR POWER GENERATION FACILITIES

On 25 May 2015 (which is a non-Business Day), the Parties entered into the Equity Increase Agreement whereby the Joint Venture will be formed for the purpose of providing funding to the construction of the Anhui Jinzhai Solar Plant Phase II and the operation thereof following completion of the construction. The transactions contemplated under the Equity Increase Agreement will involve (a) the increase in the registered capital of LuiAn YieldCo, (b) the provision of funding to LuiAn YieldCo, and (c) the arrangement for the construction of the Anhui Jinzhai Solar Plant Phase II to be undertaken by a member of the Group in the PRC for the Agreed Amount.

Pursuant to the Equity Increase Agreement, the Parties have agreed that:-

- (a) Shenzhen Hengxing will make an equity investment in LuiAn YieldCo for an amount of RMB225.0 million (equivalent to HK\$281.3 million) for 50.0% of the enlarged amount of the equity interest of LuiAn YieldCo. Following completion of this equity investment, LuiAn YieldCo will cease to be a subsidiary of the Company.

- (b) The equity holders of LuiAn YieldCo, namely Sun Wisdom and Shenzhen Hengxing, would provide interest-bearing loans to LuiAn YieldCo on a pro rata basis for any additional funding requirement for the construction of the Anhui Jinzhai Solar Plant Phase II. Currently, the total amount of the equity holders' loans is expected to be not more than RMB350.0 million (equivalent to HK\$437.5 million), of which Sun Wisdom would be required to pay not more than RMB175.0 million (equivalent to HK\$218.8 million) for the purpose.
- (c) Sun Wisdom (or any member of the Group in the PRC) will undertake the construction of the Anhui Jinzhai Solar Plant Phase II for the Agreed Amount, which may be translated into RMB 7.0 for each watt of the installed capacity of the Anhui Jinzhai Solar Plant Phase II.

The Directors (including the independent non-executive Directors) consider that the terms and conditions of the Equity Increase Agreement are negotiated on an arm's length basis and on normal commercial terms, which are considered by them to be fair and reasonable.

As one of the applicable percentage ratios set forth under Rule 14.07 of the Listing Rules in respect of the transactions contemplated under the Equity Increase Agreement (being the aggregate of (a) the amount of the entire equity interest of LuiAn YieldCo deemed to be disposed of, (b) the maximum amount of the equity holders' loans that may be provided by Sun Wisdom, and (c) the Agreed Amount pursuant to Rule 14.22 of the Listing Rules) is more than 5% but less than 25%, the transactions contemplated under the Equity Increase Agreement constitutes a discloseable transaction (as such term is defined under the Listing Rules) for the Company.

If there is any loan to LuiAn YieldCo from Sun Wisdom as an equity holder of LuiAn YieldCo, the Company will comply with the disclosure requirement under Rule 13.13 of the Listing Rules as applicable to advance to entity.

BACKGROUND INFORMATION

On 25 May 2015 (which is a non-Business Day), the Parties entered into the Equity Increase Agreement whereby the Joint Venture will be formed for the purpose of providing funding to the construction of the Anhui Jinzhai Solar Plant Phase II and the operation thereof following completion of the construction. The transactions contemplated under the Equity Increase Agreement will involve (a) the increase in the registered capital of LuiAn YieldCo, (b) the provision of funding to LuiAn YieldCo, and (c) the arrangement for the construction of the Anhui Jinzhai Solar

Plant Phase II to be undertaken by a member of the Group in the PRC for the Agreed Amount. The terms and conditions of the Equity Increase Agreement are negotiated on an arm's length basis and on normal commercial terms, which are considered by the Directors (including the independent non-executive Directors) to be fair and reasonable.

PRINCIPAL TERMS OF THE EQUITY INCREASE AGREEMENT

The Equity Increase Agreement contains all terms and conditions negotiated on an arm's length basis between the Parties. A summary of the principal terms and conditions of the Equity Increase Agreement is set forth below:-

- Date: 25 May 2015 (which is a non-Business Day)
- Parties: (1) the Company and Sun Wisdom (a wholly-owned subsidiary of the Company);
- (2) Shenzhen Ruihe and Shenzhen Hengxing (a wholly-owned subsidiary of Shenzhen Ruihe; and
- (3) LuiAn YieldCo, a wholly-owned subsidiary of Sun Wisdom as of the date of the Equity Increase Agreement and the date of this announcement.
- Equity investment in LuiAn YieldCo: LuiAn YieldCo is currently a wholly-owned subsidiary of Sun Wisdom with the registered capital of RMB125.0 million (equivalent to HK\$156.3 million) and the total amount of investment of RMB375.0 million (equivalent to HK\$468.8 million). The amount of the registered capital has yet to be settled by Sun Wisdom as of the date of the Equity Increase Agreement and the date of this announcement.

The Parties have agreed that Shenzhen Hengxing will make an equity investment in LuiAn YieldCo for an amount of RMB225.0 million for 50.0% of the enlarged amount of the equity interest of LuiAn YieldCo. The equity investment is made at a premium, as compared with the amount to be contributed by Sun Wisdom to LuiAn YieldCo, for recognising the preparation work completed by the Group in seeking the approval for and the construction of the Anhui Jinzhai Solar Plant Phase II.

Following completion of the equity investment as stated above, LuiAn YieldCo will cease to be a subsidiary of the Company.

The amount of the equity investment of RMB225.0 million (equivalent to HK\$281.3 million) to be made by Shenzhen Hengxing will be payable by Shenzhen Hengxing to LuiAn YieldCo in two instalments as follows:-

- (1) RMB100.0 million (equivalent to HK\$125.0 million) to be payable upon satisfaction of certain conditions on the corporate governance of the LuiAn YieldCo and the approval by the relevant government authorities in the PRC for the increase in the registered capital of LuiAn YieldCo and
- (2) RMB125.0 million (equivalent to HK\$156.3 million) to be payable upon (a) the issuance of the required governmental approvals for the construction of the Anhui Jinzhai Solar Plant Phase II and (b) Sun Wisdom has paid in full the amount of the registered capital contributed by it.

Following completion of the equity investment as stated above, LuiAn YieldCo will have three directors, one of them will be nominated by Sun Wisdom. The registered capital of LuiAn YieldCo will be increased to RMB250.0 million (equivalent to HK\$312.5 million), of which Sun Wisdom and Shenzhen Hengxing will hold in equal shares, and the capital reserve of LuiAn YieldCo will be RMB100.0 million (equivalent to HK\$125.0 million). The total investment of LuiAn YieldCo will be RMB700.0 million (equivalent to HK\$875.0 million). Any profit of LuiAn YieldCo will be distributed to the equity interest holders, namely Sun Wisdom and Shenzhen Hengxing, on a pro rata basis.

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| Additional funding to LuiAn YieldCo: | The Parties expect that the construction cost for the Anhui Jinzhai Solar Plant Phase II would be around RMB700.0 million (equivalent to HK\$875.0 million), including the applicable tax payable in the PRC. In this connection, the Parties have agreed that Sun Wisdom and Shenzhen Hengxing would provide interest-bearing equity holders' loans to LuiAn YieldCo on a pro rata basis for any additional funding requirement for the construction of the Anhui Jinzhai Solar Plant Phase II. Currently, the total amount of the equity holders' loans is expected to be not more than RMB350.0 million (equivalent to HK\$437.5 million), of which Sun Wisdom would be required to pay not more than RMB175.0 million (equivalent to HK\$218.8 million) for the purpose. Detailed terms and conditions of the loan from Sun Wisdom will be separately negotiated on an arm length's basis as and when the Parties consider appropriate. |
| Construction of the Anhui Jinzhai Solar Plant Phase II: | <p>The Parties have agreed that Sun Wisdom (or any member of the Group in the PRC) will undertake the construction of the Anhui Jinzhai Solar Plant Phase II for the Agreed Amount, which may be translated into RMB 7.0 for each watt of the installed capacity of the Anhui Jinzhai Solar Plant Phase II. The Agreed Amount will be paid by LuiAn YieldCo to Sun Wisdom (or any other member of the Group) in such number of instalments and amounts as required by Sun Wisdom (or the Company). The Directors expect that the construction of the Anhui Jinzhai Solar Plant Phase II will be completed before the end of 2015 and hence, the Agreed Amount is expected to be received by the Group in full before the date.</p> <p>If the actual construction cost of the Anhui Jinzhai Solar Plant Phase II is more than the Agreed Amount, the Group will be responsible for the excessive amount.</p> |
| Closing date for the equity investment in LuiAn YieldCo: | The closing of the equity investment as stated above is expected to be taken place within 120 days from the date of the Equity Increase Agreement, failing which Shenzhen Ruihe or Shenzhen Hengxing may terminate all transactions contemplated under the Equity Increase Agreement. |

Representations and warranties: The Equity Increase Agreement contains customary representations and warranties given by LuiAn YieldCo and Sun Wisdom on their respective due incorporation and continued existence, their power to enter into the Equity Increase Agreement, no violation of other agreements and government approvals, and the approvals, consents, and filings required for the signing of the Equity Increase Agreement. Similar representations and warranties have also been provided by Shenzhen Hengxing.

Governing law: The Equity Increase Agreement is governed and construed in accordance with the laws of the PRC.

REASON FOR ENTERING INTO THE EQUITY INCREASE AGREEMENT

As disclosed in the announcement of the Company dated 10 May 2015, the Group's solar power generation facilities under development and construction have an aggregate installed capacity of 580MW. The construction of all these facilities are expected to be completed by the end of 2015. The Equity Increase Agreement provides an alternative funding source to the Group for the construction of the Anhui Jinzhai Solar Plant Phase II with an installed capacity of 100MW upon acceptable terms and conditions. The Group will continue to have control on the construction of the Anhui Jinzhai Solar Plant Phase II. As an equity holder of LuiAn YieldCo holding 50.0% equity interest through Sun Wisdom, the Group will continue to entitle to 50.0% of the economic benefit generated from the Anhui Jinzhai Solar Plant Phase II.

If there is any loan to LuiAn YieldCo from Sun Wisdom as an equity holder of LuiAn YieldCo, the Group will be entitled to interest income upon such terms and conditions to be negotiated on an arm's length basis as and when the Parties consider appropriate.

FINANCIAL IMPACT OF THE TRANSACTIONS UNDER THE EQUITY INCREASE AGREEMENT

The equity investment by Shenzhen Hengxing in LuiAn YieldCo represents a deemed disposal by the Group of 50.0% equity interest in LuiAn YieldCo. The amount of gain on the deemed disposal is expected to equal to the Company's share of equity interest in the capital reserve of LuiAn YieldCo. If there is any loan to be made by Sun Wisdom as an equity holder of LuiAn YieldCo, Sun Wisdom will be entitled to interest income according to the terms and conditions of the relevant loan agreement that may be entered into between LuiAn YieldCo and Sun Wisdom. The Directors will

review the terms and conditions of the equity holder's loan before making such loan. The Agreed Amount will represent additional income of the Group which will be used to settle the actual construction cost incurred by the Group for the construction of the Anhui Jinzhai Solar Plant Phase II.

In light of the above economic benefits and the fact that the Group would not be required to contribute all the funding for the construction of the Anhui Jinzhai Solar Plant Phase II, the Directors (including the independent non-executive Directors) consider that the terms and conditions of the Equity Increase Agreement are negotiated on an arm's length basis and on normal commercial terms, which are considered by them to be fair and reasonable.

INFORMATION ON THE COMPANY, SUN WISDOM, SHENZHEN RUIHE AND SHENZHEN HENGXING

The Group is a China-based solar glass manufacturer with production facilities strategically located in Wuhu and Tianjin, China. Currently, the Group offers two principal solar glass products to its customers, namely ultra-clear photovoltaic raw glass and ultra-clear photovoltaic processed glass. In addition to the solar glass products, the Group is also engaged in the downstream solar power generation business. The Group has completed the construction and on-grid connection of three ground-mounted solar power generation facilities with an aggregate capacity of 280MW in the PRC. The Group's solar power generation facilities under development and construction have an aggregate installed capacity of 580MW.

Sun Wisdom is an investment holding company and a wholly-owned subsidiary of the Company.

Shenzhen Ruihe is a joint stock company established in the PRC with limited liability. Established in 1992 and based in Shenzhen, Shenzhen Ruihe is engaged in the business of designing and constructing building decoration and engineering projects. Shenzhen Ruihe is also engaged in the design and construction of building curtain walls, installation of electrical and mechanical apparatuses in buildings, fire extinguisher systems, gardening projects, and installation of integrated building intelligent systems. The shares of Shenzhen Ruihe are listed on the Shenzhen Stock Exchange.

Shenzhen Hengxing is a limited liability company established in the PRC and a wholly-owned subsidiary of Shenzhen Ruihe. Shenzhen Hengxing is an investment holding company.

Both Shenzhen Ruihe and Shenzhen Hengxing are Independent Third Parties.

IMPLICATIONS UNDER THE LISTING RULES

As one of the applicable percentage ratios set forth under Rule 14.07 of the Listing Rules in respect of the transactions contemplated under the Equity Increase Agreement (being the aggregate of (a) the amount of the entire equity interest of LuiAn YieldCo deemed to be disposed of, (b) the maximum amount of the equity holder's loans that may be provided by Sun Wisdom, and (c) the Agreed Amount pursuant to Rule 14.22 of the Listing Rules) is more than 5% but less than 25%, the transactions contemplated under the Equity Increase Agreement constitutes a discloseable transaction (as such term is defined under the Listing Rules) for the Company.

If there is any loan to LuiAn YieldCo from Sun Wisdom as an equity holder of LuiAn YieldCo, the Company will comply with the disclosure requirement under Rule 13.13 of the Listing Rules as applicable to advance to entity.

DEFINITIONS USED IN THIS ANNOUNCEMENT

Unless the context requires otherwise, the capitalised terms used herein shall have the following meanings:-

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| “Agreed Amount” | means RMB700.0 million (equivalent to approximately HK\$875.0 million), being the amount agreed to be paid by LuiAn YieldCo to members of the Group for the construction of the Anhui Jinzhai Solar Plant Phase II; |
| “Anhui Jinzhai Solar Plant Phase II” | means the solar power generation facilities with the installed capacity of 100MW located at Jinzhai County, Luian City, Anhui Province by LuiAn YieldCo; |
| “associate(s)” | has the meaning ascribed to it under the Listing Rules; |
| “Board” | means the board of Directors; |

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| “Business Day” | refers to any day (excluding Saturdays, Sundays and public holidays in Hong Kong or days on which a tropical cyclone warning No. 8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which banks generally are open for business in Hong Kong; |
| “Company” | means Xinyi Solar Holdings Limited 信義光能控股有限公司, a company incorporated in the Cayman Islands with limited liability on 11 January 2011, the shares of which are listed on the Main Board of the Stock Exchange (Stock code: 00968); |
| “Directors” | means the directors of the Company; |
| “Equity Increase Agreement” | means the 信義光能(六安)有限公司增資協議 (Equity Increase Agreement for LuiAn YieldCo) dated 25 May 2015 and entered into between the Parties for the purpose of formation of the Joint Venture; |
| “Group” | means the Company and its subsidiaries; |
| “Hong Kong” | means The Hong Kong Special Administrative Region of the People’s Republic of China; |
| “Independent Third Party(ies)” | means an individual(s) or a company(ies) who or which is/are independent of and not connected with (within the meaning of the Listing Rules) any directors, chief executive or substantial shareholders of our Company, our subsidiaries or any of their respective associates; |
| “Joint Venture” | means the joint venture business to be formed pursuant to the terms of the Equity Increase Agreement with the LuiAn YieldCo as the principal operating company; |
| “Listing Rules” | means The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited; |
| “LuiAn YieldCo” | means 信義光能(六安)有限公司 (Xinyi Solar (LuiAn) Company Limited, a limited liability company established in the PRC for the purpose of operating the Anhui Jinzhai Solar Plant Phase II; |
| “MW” | means megawatt or one million watts, an unit of power consumption; |

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| “Parties” | means the parties to the Equity Increase Agreement, namely the Company, Sun Wisdom, Shenzhen Ruihe, and Shenzhen Hengxing; |
| “Shareholders” | means holders of the Shares; |
| “Shares” | means the ordinary shares of the Company with a par value of HK\$0.10 each; |
| “Shenzhen Ruihe” | means 深圳瑞和建築裝飾股份有限公司 (Shenzhen Ruihe Construction Decoration Co., Ltd.), a joint stock company established in the PRC with limited liability and its shares are listed on the Shenzhen Stock Exchange (Stock code: SHE:002620), which is an Independent Third Party; |
| “Shenzhen Hengxing” | means 深圳市瑞和恒星科技發展有限公司 (Shenzhen Ruihe Hengxing Technology Development Company Limited), a joint stock company established in the PRC with limited liability and a wholly-owned subsidiary of Shenzhen Ruihe, which is an Independent Third Party; |
| “Stock Exchange” | means The Stock Exchange of Hong Kong Limited; |
| “Sun Wisdom” | means Sun Wisdom Development Limited 智日國際有限公司, a company incorporated in Hong Kong on 6 February 2015 with limited liability and a wholly-owned subsidiary of the Company; |
| “watt” | means one watt or one joule per second, an unit of power consumption; |
| “HK\$” | means Hong Kong dollars, the lawful currency of Hong Kong; |
| “RMB” | means Renminbi, the lawful currency of the PRC; and |
| “%” | means percentage. |

By order of the Board of
Xinyi Solar Holdings Limited
LEE Yau Ching
Executive Director and Chief Executive Officer

Hong Kong, 25 May 2015

Unless otherwise specified, translations of RMB into HK\$ in this announcement are based on the rate of HK\$1.0 = RMB0.80. No representation is made that any amount in RMB and HK\$ can be or could have been converted at the relevant dates at this rate or any other rates at all.

As of the date of this announcement, the Board comprises four executive Directors, namely Mr. TUNG Ching Sai, Mr. LEE Yau Ching, Mr. LI Man Yin, and Mr. CHEN Xi, two non-executive Directors, namely Mr. LEE Yin Yee, M.H. (Chairman of the Board) and Mr. LEE Shing Put, and three independent non-executive Directors, namely Mr. CHENG Kwok Kin, Paul, Mr. LO Wan Sing, Vincent and Mr. KAN E-ting, Martin.

This announcement will be published on the website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.xinyisolar.com.